

ROUTING

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 23 March 1978 CG NIDC 78/068C

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National Intelligence Daily Cable for Thursday, 23 March 1978.

The NID Cable is for the purpose of informing senior US officials.

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USSR-AFRICA: Meeting in Moscow

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[redacted] //The Soviets are holding high-level meetings in Moscow with key African leaders and senior Soviet advisers in Africa. The Angolan chief of state will want to discuss the possibility of increased Soviet and Cuban military assistance in order to deal with continuing insurgencies in his country. The Soviets will certainly want to hold a general discussion of ways and means to keep the pot boiling in Rhodesia. At this point, the USSR needs to prevent the continued progress of the internal settlement in Rhodesia and to improve the chaotic guerrilla operation there.//

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[redacted] [redacted]
Serious economic difficulties plague the regime. Political dissidence is still a problem, and major economic and social problems remain unresolved.//

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[redacted] //Neto's major concern is the increased pressure he is facing from Jonas Savimbi's insurgent forces--the National Union for the Total Independence of Angola--which now operate in over half the country and pose a growing political

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and military threat to the regime. The level of fighting has increased in recent months, and Angolan and Cuban troops are sustaining numerous casualties in all parts of the country.//

25X1 [] //Neto will presumably want to discuss additional Soviet and Cuban military assistance, including additional Cuban combat forces. Neto may also convey a request from the South-West Africa People's Organization for additional Soviet and Cuban assistance because of the possible impasse in negotiations on Namibia.//

25X1 [] //Chairman Mengistu--after his victory in the Ogaden--is now focusing on Eritrea.

25X1 [] The USSR's interest in consolidating its influence in Addis Ababa strongly suggests that it will continue to support Mengistu's plans to break the power of the insurgents before entering any negotiations with them. An expansion of Soviet involvement in the Eritrean fighting is likely.//

25X1 [] //Moscow would probably prefer to try to settle the Eritrean problem peacefully before embarking on an all-out military campaign. Mengistu, on the other hand, appears determined to defer any talks with the Eritreans until he regains military dominance in the province. The Soviets will eventually go along with Mengistu if they have to and are already portraying the Eritreans as surrogates for Western interests in order to justify Soviet support for an anti-insurgency campaign.//

25X1 [] The Soviets will have to grapple with ways and means to keep the pot boiling in Rhodesia. The Soviets want to prevent progress toward an internal settlement in Rhodesia and to improve the chaotic guerrilla operations based in Zambia and Mozambique. The swearing-in of the three black leaders in the transitional government in Salisbury on Tuesday adds some urgency to Soviet efforts.

25X1 [] //The Soviets, however, face a number of problems in trying to formulate a coherent strategy toward the Rhodesian insurgency. The most important at this point are political constraints. The frontline presidents, particularly Zambian

President Kaunda, are hesitant to permit an expanded Soviet and Cuban presence in southern Africa. Kaunda is under domestic pressure to abandon his preoccupation with the Rhodesian problem, and he himself fears Rhodesian military retaliation.//

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[] The Soviets, in turn, may distrust Mozambican President Machel and the insurgent faction based in Mozambique because of their willingness to accept aid from China.

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[] The reluctance of the frontline presidents, who are meeting this weekend in Dar es Salaam, to encourage the Soviets is preventing a greater Soviet commitment to the insurgents. Until the frontline presidents and the rival insurgent factions in the Patriotic Front decide on military strategy and tactics, the Soviets will be in a weak position to push events along.

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[] If the Soviets push too hard, the Africans will become suspicious. If the Soviets are hesitant, they may miss an opportunity. For the near term, Moscow will surely watch closely for new opportunities and be responsive to any African feelers for additional military assistance. []

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IRAN: Naval Fleet Acquisitions

Iran is negotiating agreements with West Germany and the Netherlands for the purchase of six 209-type diesel submarines and 12 frigates as part of the Shah's continuing effort to expand Iranian power in the Persian Gulf. These purchases--probably totaling more than \$2 billion--would be Tehran's largest military orders from non-US sources. The orders would be a welcome boost to both Dutch and West German shipyards, which are suffering from lagging orders and unemployment.

Iran would pay cash for the West German submarines, which would be delivered over the next four years. Iran cannot obtain frigates from West Germany before 1983 because they are still on the drawing board; Dutch frigates would be more readily available.

Following his recent visit to Iran, the Dutch State Secretary for Economic Affairs announced that the Iranian Government would soon order eight Kortenaer-class frigates from the Netherlands and perhaps another four frigates from West Germany. He was confident that the Dutch cabinet would issue an export license and that parliament would not oppose the order.

West Germany's Chairman of the Parliamentary Defense Committee indicated that his committee did not oppose the proposed sale. West Germany has apparently relaxed further its 1971 decision to sell arms only to NATO countries and now bans sales only to "areas of tension." Some members of the Social Democratic Party, however, are critical of the expansion of arms sales.

//The Shah is attempting to develop a modern navy to protect Iranian oil routes, particularly in the Strait of Hormuz and the Arabian Sea. Iran recently received two guided-missile patrol boats from France and will acquire 10 more by the end of 1980. It will obtain its first Tang-class submarine

from the US next year, with two more to follow by 1983; four Spruance-class destroyers are also on order from the US for delivery by 1982.// [REDACTED]

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ALGERIA: Dissident Activity

25X1 [REDACTED] //Small groups of Algerian dissidents have raided police posts in both western and eastern Algeria during the past month. The dissidents are almost certainly supported by Morocco but seem to pose no serious threat to President Boumediene, who retains the backing of his own military.//

[REDACTED]

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25X1 [REDACTED] Morocco may have decided that using the dissidents to create unrest in Algeria is a relatively safe way to retaliate against Boumediene for his support of the Polisario Front, which is seeking to wrest control of Western Sahara from Morocco and Mauritania. It is also possible that Moroccan irregulars are responsible for some of the raids. Algeria probably believes that Morocco is behind the dissident activity and will retaliate by increasing support to Moroccan dissidents in Algeria.

25X1 [REDACTED] Although disillusionment with the meager benefits of Algerian-style socialism and Boumediene's stewardship is probably growing, dissident exiles or Moroccan irregulars, if they are involved, probably cannot capitalize on this discontent.

25X1 [REDACTED]

The dissidents' public links with the Moroccan Government further weaken their credibility.

25X1 [REDACTED] Far more crucial to Boumediene's tenure is the attitude of the Algerian military, which would hold the balance of power in any internal struggle. Boumediene, who serves as his

own defense minister, has assiduously cultivated close ties with his senior officers. [REDACTED]

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[REDACTED] //Although some small cliques of disgruntled officers probably exist, Boumediene does not now appear to face a formidable challenge from them. [REDACTED]

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RHODESIA-BOTSWANA: Refugee Flow

[REDACTED] Botswana has experienced a major influx of refugees from Rhodesia since Rhodesian Prime Minister Smith and black leaders inside Rhodesia signed their settlement agreement early this month. The refugee camps in Botswana have been a lucrative recruiting ground for the Rhodesian guerrilla groups, particularly Joshua Nkomo's Zimbabwe African People's Union. The transitional government in Rhodesia hopes to induce large numbers of guerrillas to lay down their arms and return to Rhodesia, but this will be difficult if it cannot stem the flow of potential guerrillas out of the country.

[REDACTED] According to officials in Botswana, the total number of Rhodesian refugees now exceeds 5,500, up from 3,000 a month ago. In one 48-hour period, some 500 persons crossed into Botswana.

[REDACTED] Reasons for the sudden upsurge are unclear. Some officials believe that the marked increase shows that there is no confidence in the internal settlement, at least on the part of the Ndebele, who are not represented in the arrangement. Others think that the increase stems from stepped-up military operations in western Rhodesia. All the officials concerned with the refugees agree, however, that the internal settlement will not help to discourage guerrilla recruitment or to deter blacks--at least the Ndebele--from leaving Rhodesia.

25X1 [] Now that the transitional government has been formally installed in Salisbury, it will probably make an early announcement of an amnesty for guerrillas. The internal settlement will have to show evidence of its staying power and the fighting will have to get worse for the guerrillas, however, before any significant number of them decide to surrender. In the meantime, guerrilla leaders will do all they can to prevent defections.

25X1 [] If the refugee flow continues to grow and if it contains significant numbers of potential insurgents, this could offset whatever number of guerrillas eventually defect. This would be particularly true if there should be a similar upsurge in the flow of refugees from eastern Rhodesia into Mozambique.

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UNITED KINGDOM: Callaghan Visits US

25X1 [] *//British Prime Minister Callaghan's visit to the US today coincides with a growing British pessimism over stagnating world economic conditions. Concern has mounted in recent weeks that negative international economic trends will undermine the UK's economic fortunes, which had seemed very bright. Callaghan's aim is to urge the Western industrialized nations to take unified action, which he hopes will help to shore up his domestic political position as a general election approaches, possibly later this year.*

25X1 [] *//Disappointing economic indicators, suggesting trends that North Sea oil revenues cannot fully counteract, have triggered Britain's concerns. Although the indicators have not pointed to startling shifts, continued economic sluggishness has dampened hopes that the British economy was about to expand after years in the doldrums. British leaders are increasingly worried that the current international economic malaise will blunt their attempts to control unemployment and inflation and hinder efforts to increase industrial production.//*

25X1 [] *//Trade among countries of the Organization for Economic Cooperation and Development will probably grow this year by only 4 to 5 percent, thus reducing exports. If the UK's export performance is weak, it will be unable to realize its*

3.5-percent GNP growth projection without a substantial fiscal stimulus. Excessive stimulation, however, could overheat the economy--particularly with a strengthened pound--leading to a further rise in imports.//

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[] //Labor Party leaders fear that a general economic slowdown will dampen investment incentives and lead to a new wave of protectionism. Callaghan believes this would hurt his country's delicate balance of trade and its already eroded international competitiveness more than it would most other Western countries.//

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[] //Callaghan argues that only a coordinated effort by Western leaders to encourage higher growth rates can reverse current trends. He advocates acting in the near future to stabilize the dollar and other currencies, to promote long-term capital flows and investment, to increase trade, and to develop an effective Western energy policy. He hopes that prompt action will help to salvage his government's largely successful anti-inflationary program.//

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[] //Callaghan's trip to the US follows his talks last week with West German Chancellor Schmidt. The two leaders were trying to reach common positions before the EC summits next month and again in July and the summit of industrialized countries later that month in Bonn. Callaghan apparently did not attempt to press Schmidt into doing more to stimulate the West German economy, and he seems anxious to mediate strains between Washington and Bonn.//

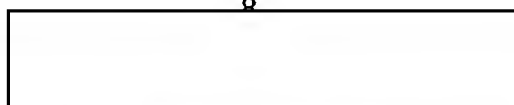
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[] //Conservative leaders have been skeptical of the motives for Callaghan's economic summitry. Some Tory members of Parliament argue that Callaghan is concerned about Western economic stability because the outcome of the next election will be largely determined by economic conditions--particularly the level of unemployment and inflation. The government's inability to show improvement could, in fact, damage the Labor Party's chances at the polls.//

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[] //Many Laborites in Parliament believe that reflationary clauses in the new budget--which will be presented next month--will help the government in the short run, especially if these include promised tax cuts. Such relief could be temporary--particularly if the stimulus package begins to heat up the economy--and may lead to a worsening balance of trade and accelerated unemployment and inflation.//

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25X1 [] //Callaghan will try to time the general election to come before economic conditions have a chance to worsen; he will probably be unable to put it off beyond this fall. []

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EC: Promoting Economic Growth

25X1 [] //The EC Council met in Brussels earlier this week to consider a program to boost international economic confidence. The program, which was prepared by the EC Commission, calls for the kind of unified action that British Prime Minister Callaghan is advocating. The Commission hopes that a common EC position on promoting economic growth will foster fruitful discussions between the Europeans and the US, Canada, and Japan at the summit of industrialized countries this summer in Bonn. A unified EC position would clearly give Callaghan a greater chance of achieving his goals. It may even be indispensable.//

25X1 [] //Reactions by the EC ministers to the Commission's proposals for a strategy of concerted economic expansion were generally favorable, but no decisions were taken on specifics. Not surprisingly, the West Germans were the most reserved on making commitments to growth targets and a timetable for decisions. Economics Minister Lambsdorff said Bonn still needs at least until May to assess the impact of its own national measures, and he called the Commission's target of 4.5 percent for EC economic growth for the year beginning in July "optimistic."//

25X1 [] //The Commission forecasts that the Community's growth rate this year will be only 2.8 to 3 percent unless there is further action. The Commission is trying a different approach than just once again reaffirming an overall growth target; it is calling for an examination of the performance of the member countries in order to establish how each country can contribute to a concerted growth plan.//

25X1 [] //The Commission's program also parallels Callaghan's by linking expansion to trade liberalization, aid to developing countries, and energy conservation. The Commission's strategy unlike Callaghan's would also seek to foster growth through encouraging effective industrial sectors and phasing

out noncompetitive ones. The British have, in fact, been reluctant to give the EC authority over British problem industries.//

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[] //At the meeting in Brussels, the British called for a common EC strategy as a prelude to broader discussions. West German "inhibitions on growth" and American "inhibitions on the dollar," Chancellor of the Exchequer Healey said, should be broken, but not by a piecemeal approach like the recent US-German agreement on the dollar. Healey said that the fluctuations between the currencies in and outside of the EC "snake" were a minor problem compared to those of the dollar.//

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[] //The Commission doubtless believes that its new strategy has started as well as might be expected--given West Germany's continued reservations. It may hope that West German Chancellor Schmidt will have a stronger interest in the success of the EC and Western summits than on previous occasions, because he will be chairman both of the Community's July summit and the session in Bonn.//

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[] //Callaghan will probably tell the US that the Community is trying to do its part, but that the US must "co-operate" on the dollar, inflation, and energy before there is much hope of budging the West Germans. []

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FRANCE: No Prime Minister Named Yet

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[] French President Giscard announced last night that he will begin "extensive consultations" today with labor, business, and political leaders on the most important problems the nation faces. He said he will name a new prime minister after completing the talks.

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[] Earlier in the day, a spokesman for the President said the Barre government would remain in a caretaker capacity at least until 3 April when the new Assembly opens its spring session. There is no deadline for forming the new government and it is not required to win confirmation of the Assembly.

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[] Giscard congratulated the voters on their choice in the election but added that he also feels a responsibility to meet the needs of those who voted for the Left. He said the

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[redacted]

new government will focus on solving important economic and social problems--especially on ensuring a regular increase in purchasing power for the lowest paid--and on decreasing France's political polarization.

25X1 [redacted] Giscard said he expects all of his new majority to support "boldly and ardently" his programs, an oblique reference to Gaullist party leader Chirac's refusal fully to accept presidential leadership. Giscard also called for "sensible coexistence" with the Left and asked its leaders to overcome traditional obstacles to helping the government meet the people's needs.

25X1 [redacted] The President noted that it is too soon to move to the center-left coalition he desires, and promised not to try to entice individual leftist deputies into his camp. Giscard left open, however, the possibility of showing his desire to broaden his political base by co-opting some of the Left's programs and appointing to the new government persons who "symbolize an opening up" of the political spectrum. [redacted]

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